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28 MAY 1982

MEMORANDUM FOR: Comptroller

FROM: Harry E. Fitzwater
Deputy Director for Administration

SUBJECT: Benefits of New Building Program

1. Keith Hall requested a paper from the Agency describing the benefits we felt would derive from the proposed consolidation. The attachment has been prepared by members of the Building Planning Staff in consultation with the affected support Offices. Questions concerning the content can be addressed by Chief, Building Planning Staff, Office of Logistics.

2. Please forward the attachment to Office of Management and Budget by 1 June 1982, as requested.

[redacted] 25X1

Harry E. Fitzwater

Attachment:
As Stated

Distribution:
Orig - Compt, w/att (2)
2 - DDA, w/att (2)
~~1~~ - OL/BPS, w/att - Please return to OL/BPS (Official)

Originating Office:

[redacted] 25X1

Director of Logistics

5/28/82
Date

UNCLASSIFIED When
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OL 2 2391

SECRET

SUBJECT: Benefits of New Building Program

Distribution Withheld:
  1 - OL Files, w/att
  1 - D/L, w/att

OL/BPS [redacted] (25 May 1982) 25X1

BENEFITS OF CIA CONSOLIDATION

The CIA Headquarters Building completed in 1961 did not provide adequate space to achieve the goal of consolidation. The trend of increasing inventories of ADP equipments requiring special environmental support has compounded the Agency facility problem. The current proposal for additional construction at the Headquarters results from the longstanding conviction of Agency managers that consolidation of Headquarters personnel and resources in one location would produce greater efficiency, productivity, effectiveness, and security. [redacted] 25X1

Geographic dispersion of Headquarters organizations inhibits full communication among management, collectors, analysts, and those who support them. While the provision of extensive electrical communications and transportation service is intended to facilitate necessary communication, it is only partially successful and at a cost measurable in dollars, productivity, security, and responsiveness. It is common today to find senior managers spending 20 to 30 percent of their workday in a travel mode. In crises situations, pulling necessary specialists together takes hours instead of minutes. [redacted] 25X1

Expanding and improving technological support to those outside the Headquarters is retarded by concerns for the

[redacted] [redacted] 225X1

technical and physical security of the many facilities lacking the necessary area of control and by the high cost of extending reliable services from Headquarters. This retardation impacts both the quality and timeliness of the Agency products. The lack of protected power systems outside Headquarters presents unacceptable risks to continuity of operations during times of emergency. Many readily available electronic devices must be prohibited in outbuildings because the area of control is insufficient to contain TEMPEST signals. Where TEMPEST is not a concern, technology is frequently avoided because of lack of reliability and continuity of power and communications. Obvious security concerns arise from our inability to control parking within and adjacent to leased facilities. 25X1

Employee morale, recruitment, and retention will be improved if the Agency can demonstrate to high-quality professionals that a pleasant work environment exists in which there are minimum impediments to communication and productivity. The ability to rapidly realign space and people to meet new taskings will enhance the sense of intelligence teamwork. The ability to place modern technology at workstations will increase Agency competitiveness in the job market. 25X1

The proposed consolidation will eliminate the need to replicate support facilities and equipment for each outside facility. Each building must contain loading docks, mail rooms, supply rooms, security posts, and communications facilities along with added staffing. 25X1

Continuing machine expansion within the existing Headquarters Building has passed reasonable limits. Continual modifications to increase power and air conditioning capacity for machine support have exhausted existing utility space within the building, and new construction outside the building is now under design to meet the needs of new systems, such as MERCURY, due within the next five years. [redacted] 25X1

More troublesome than what exists is what is yet to come. Unless construction is undertaken soon, the trend of displacing personnel from Headquarters to accommodate technology will continue, but, in addition, increasing capital investments in leased space will be necessary to begin decentralization of ADP facilities. This is arising from the fact that remaining options for dispersing only personnel are too injurious to mission effectiveness, and responsiveness. New options involving both personnel and equipment sufficient to provide self-contained operation are growing. These self-contained operations will then necessarily be linked by much expanded communications for coordination and production of Agency products. [redacted] 25X1

Added dollar costs associated with operating the currently dispersed work force can be attributed to transportation, information handling and processing, and security. The following costs are based on current measured experience and projected for FY-87, the first year of savings. [redacted] 25X1

Transportation. The Agency operates an extensive scheduled bus service among Agency buildings to provide low cost movement of personnel. Additionally, government-owned vehicles and POVs are used in those cases where scheduled bus service is inadequate to meet the need of the individual in terms of time or material handling. The proposed consolidation would reduce transportation costs by an estimated $1,097,000 annually. 25X1

Using Schedule times between buildings and trip count samples, an estimated 79 man-years of productivity is lost annually in the bus system alone. This translates to approximately $3,257,000 in recoverable labor. The estimate is highly conservative since available information does not allow computation of hours lost in automobile transit or in waiting time. 25X1

Information Handling and Processing. Complementing the transportation system is a courier system for paper movement and a constantly expanding telecommunications network. Consolidation would permit an estimated annual savings of $243,000 in courier service. 25X1

With respect to telecommunications and ADP service, consolidation as proposed would result in $2,035,000 annual savings for leased data circuitry and telephone service and approximately $2,586,000 a year in manpower recovery. Government-owned equipment terminating this circuitry will have a replacement value of $2,143,000. This translates to approximately $257,000 annualized savings assuming a 15-year equipment life. [redacted] 25X1

Security. Physical security of facilities is provided by a combination of guards and alarm systems. Multiple buildings are highly inefficient in terms of guard service. Consolidation as proposed would result in guard savings conservatively estimated at $1,600,000 annually. This savings is after allowing for improved coverage of the Headquarters Compound. [redacted] 25X1

Alarm systems removed from outside buildings could be reapplied against other worldwide requirements, thereby achieving cost avoidance in the late 1980s. [redacted] 25X1

Technical security of processing systems in outbuildings is not achievable without designing and installing equipment to national COMSEC standards. The premium paid for this special design feature is currently adding 20 to 40 percent to equipment costs. Given the area of control and RFI shielding resulting from the proposed consolidation, an annual equipment savings on the order of $1,700,000 is expected. [redacted] 25X1

While this $12.7 million annual savings will be felt in the Agency budget, it is only part of the savings accruing to the Government. Considering programmatic facilities growth in the next several years, there will be an estimated $9.1 million annual savings in rental payments. The Agency space budget will remain relatively constant because of SLUC, but the $9.1 million will now accrue to the Federal Building Fund as an increased source of funding for further Federal construction. [redacted] 25X1

In addition to the relatively minor cost avoidance mentioned previously, there is a substantial cost avoidance associated with recapitalization of the Headquarters power plant. Existing generators, boilers, switchgear, etc., are approaching 30 years of age. Even with adequate service reliability, it will be necessary to modernize equipment to ensure supportability and to augment capabilities. No precise estimate of costs is available because current planning includes complete redesign of the power plant to support old and new buildings. Based on construction estimates for the proposed consolidation, recapitalization by itself would cost roughly $20 million over the next 10 years.

[redacted] 25X1

Attached are two cost analyses submitted in support of the construction request. Attachment A is a traditional A-104 analysis of lease vs. construction performed in the same fashion as those submitted in defense of other Federal construction projects. Attachment A reflects a 25 percent cost advantage to Federal construction. [redacted] 25X1

Attachment B is a unique analysis requested by OMB to demonstrate the cost comparison of consolidation through Federal construction vs. continued dispersion through leasing. Neither analysis fully accounts for the O&M costs discussed earlier in this paper. [redacted] 25X1

Two errors were detected and corrected since informal submission of previous analyses. The rate for taxes and insurance has been corrected to $1.15 per square foot. Charges to Federal construction for services and utilities were adjusted downward when it was discovered that GSA rates charged assumed establishment of a total security force for the new construction vs. the simple augmentation required in the case of Langley. 25X1

Computing an exact payback period for the proposed construction, given the complex nature of all costs involved, is not particularly meaningful. Presuming one is willing to attribute the conservatively estimated $21.8 million annual operations and maintenance savings and the roughly $20 million cost avoidance to the proposed construction project, then payback is assured within 10 years. 25X1

The ability to achieve significant improvements in security, management, and operation and do so at a net savings to the Government, leaves no doubt that the expansion of the Agency Headquarters is well justified. 25X1

A

Economic Analysis of Lease Versus Construction for CIA Consolidation

OBJECTIVE

The purpose of this analysis is to compare the present value costs of consolidation by lease versus federal construction.

ASSUMPTIONS

1. A constructed building will contain approximately 855,000 square feet of net occupiable space.
2. For the lease alternative, 855,000 net square feet of consolidated space will be acquired in the Virginia Route 123 corridor.
3. Construction of a new building will be on the Headquarters compound.
4. The economic life of a building or buildings is 30 years.

PROCEDURES

1. Cost data have been provided by the Building Planning Staff, Office of Logistics, and General Services Administration (GSA).
2. The comparative analysis was compiled in accordance with procedures contained in OMB Circular A-104, using the same computer programs applied to GSA federal construction projects.

CONCLUSIONS

The results show that the Federal Construction Alternative is the preferred choice.

Comparative Cost Analysis Summary

Lease Alternative

Initial Alterations	$ 29,533,360
Taxes & Insurance	12,201,202
Net, Net Rent	94,652,269
Services & Utilities	78,363,095
Alterations	7,745,103
General Expenses	1,697,557
Total Present Value	$ 224,192,585

Construction Alternative

Imputed Taxes & Insurance	$ 8,169,671
General Expenses	2,415,381
Services & Utilities	35,520,307
Major Repair & Alterations	10,158,808
Minor Repair & Alterations	5,185,965
Interim Lease Cost	44,795,492
Site Cost	2,127,850
Construction Cost	79,418,991
Design & Management	7,583,663
	$ 195,376,128
Less Residual Value -	12,239,978
Less Income Received -	3,776,369
Total Present Value	$ 179,359,781

Economic Comparison of Continued Leasing Versus Construction for CIA Consolidation

OBJECTIVE

The purpose of this analysis is to compare the present value costs of current leasing strategies versus federal construction for consolidation.

B

ASSUMPTIONS

1. A constructed building will contain approximately 855,000 square feet of net useable space.

2. For the lease alternative, 905,000 net square feet of consolidated space will be acquired to include 50,000 square feet estimated for replicated support functions.

3. The economic life of a building or buildings is 30 years.

4. Construction of a new building will be on the Headquarters compound.

5. The General Services Administration (GSA) modified computer software used for this analysis is valid.

6. There will be additional O&M costs for decentralized operation over and above costs reflected in this analysis.

PROCEDURES

1. Cost data have been provided by the Building Planning Staff, Office of Logistics, and GSA-NCR.

2. The comparative analysis was compiled using procedures contained in OMB Circular A-104 as a guide.

CONCLUSIONS

The results show that the Consolidation Alternative is the preferred choice.

Comparative Cost Analysis Summary

Lease Alternative

Initial Alterations	$ 5,591,650
Taxes & Insurance	12,616,963
Net, Net Rent	83,909,386
Services & Utilities	82,583,915
Alterations	9,585,056
General Expenses	1,953,480
Total Present Value	$ 196,240,450

Construction (Consolidation) Alternative

Imputed Taxes & Insurance	$ 8,169,671
General Expenses	2,415,381
Services & Utlities	35,520,307
Major Repair & Alterations	10,158,808
Minor Repair & Alterations	5,185,965
Interim Lease Cost	44,795,492
Site Cost	-0-
Construction Cost	79,418,991
Design & Management	7,583,663
	$ 193,248,278
Less Residual Value -	11,747,133
Less Income Received -	3,776,369
Total Present Value	$ 177,724,776